



## 6524.0.55.002 - Estimates of Personal Income for Small Areas, Time Series, 2003-04 to 2007-08

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## Summary

### Main Features

#### MAIN FEATURES

##### Introduction

Income change in Australia, 2003-04 to 2007-08

Regional Variations in Average Income, 2007-08

Regional Variations in Income 'Mix', 2007-08

#### INTRODUCTION

This article presents selected data on estimates of personal income for the years 2003-04 to 2007-08, at a range of geographic levels. From 2003-04 to 2007-08 personal income in Australia grew at an average annual rate of 8.7%.

Analysing change in sources of personal income over time can provide valuable insight into the nature of regional economies and aspects of the economic well-being of the people who live there. This article begins with an overview of the sources of personal income for Australia, highlighting variations in average annual growth rates between 2003-04 and 2007-08 by source of income. It then analyses regional variations in average income from all sources at the State/Territory and Statistical Division level for 2007-08. The final section of the article examines variations in the 'income mix' between regions (i.e. the proportion each income source contributes to total income) using a number of Statistical Local Areas in Victoria as case studies.

While personal income data provide insights into the income in regional economies, wealth is also important to economic well-being, since some people on low incomes may have wealth to draw on such as property and business assets (*Australian Social Trends*, 2006, cat. no. 4102.0). Conversely, some people on high incomes may also have high levels of debt. This article has a focus on income, but income alone does not necessarily equate with overall economic well-being.

Further analysis of regional incomes, including other sources of income (Wages and salary, Investments and Superannuation and annuities) can be undertaken using the data contained in the spreadsheets attached to this article. For more detailed data on persons earning Wage and salary incomes please refer to Wage and Salary Earner Statistics for Small Areas (cat. no. 5673.0.55.003).

These income estimates have been compiled using aggregated individual income tax data from the Australian Taxation Office (ATO). The Australian Bureau of Statistics (ABS) wishes to acknowledge the invaluable support of the ATO in compiling these statistics.

#### INCOME CHANGE IN AUSTRALIA, 2003-04 TO 2007-08

##### Total Income

Total income (excluding Government pensions and allowances) grew by an average of 8.7% per annum from 2003-04 to 2007-08, and while most sources of income grew in absolute terms over this period, the average annual growth rates for each income source varied considerably (Table 1).

**Table 1. TOTAL INCOME, By Source - Australia**

	2003-04	2004-05	2005-06	2006-07	2007-08	Average Annual Growth Rate, 2003-04 to 2007-08 %
Sources	\$m	\$m	\$m	\$m	\$m	
Wages & salaries	316 925	340 571	364 505	392 097	442 429	8.7
Own unincorporated business	29 766	30 485	31 028	33 083	36 983	5.6
Investment	34 690	39 352	43 993	53 486	58 627	14.0
Superannuation and annuities (a)	11 002	12 515	14 501	16 577	8 924	n.a.
Other (b)	3 106	3 631	4 274	5 058	5 409	14.9
Total income (b)	395 489	426 552	458 300	500 300	552 373	8.7

(a) Average Annual Growth Rate can not be calculated due to break in series

(b) excludes Government pensions and allowances

Of the three largest sources of income, Investments had the largest average annual growth rate (14.0%). Wages and salaries (the largest income source) grew at 8.7%, while income from Own unincorporated Business (OUB) increased on average by 5.6% per annum between 2003-04 and 2007-08.

A change to taxation legislation, which took effect from 1 July 2007, has resulted in a break in the series in Superannuation income. People aged 60 years and over who receive superannuation income in the form of a lump sum or income stream (such as a pension) from a taxed source, will now receive that income tax free. This means that, if a person has no other income, or their total income is below the tax-free threshold, or any tax payable is mitigated by a tax offset (such as Senior Australian Tax Offset), they will not be required to lodge a tax return. Further information, including comparison with estimates from the ABS Survey of Income and Housing, is contained in the [Explanatory Notes](#) of this issue.

Table 2 shows that the three largest sources of income in each year have been Wages and salaries, Investment and income from Own unincorporated business, with Wages and salaries contributing to around 80% of total income.

**Table 2. PROPORTION OF TOTAL INCOME, By Source - Australia**

	Wages & salaries	Own unincorporated business	Investment	Superannuation & annuities	Other
Financial Year	%	%	%	%	%
2003-04	80.1	7.5	8.8	2.8	0.8
2004-05	79.8	7.1	9.2	2.9	0.9
2005-06	79.5	6.8	9.6	3.2	0.9
2006-07	78.4	6.6	10.7	3.3	1.0
2007-08 (a)	80.1	6.7	10.6	1.6	1.0

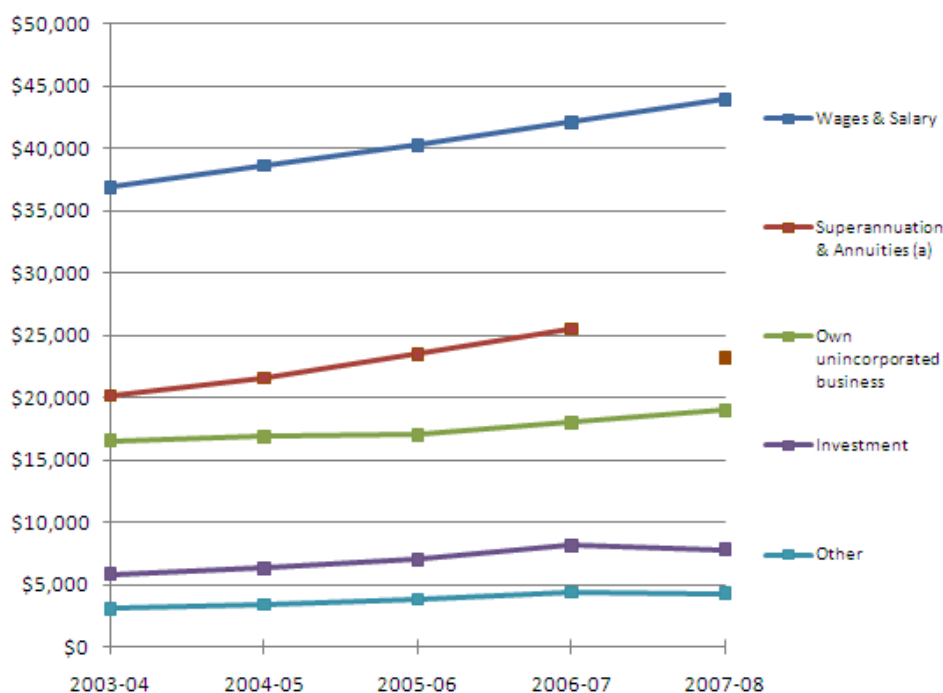
(a) Break in series in Superannuation income in 2007-08

[Back to top](#)

### Average Income

Graph 1 presents the average income for each personal income source in Australia, 2003-04 to 2007-08.

**Graph 1. AVERAGE INCOME, By source – Australia**



a) Break in series in Superannuation income in 2007-08

Average Wages and salaries grew each year from 2003-04 to 2007-08, increasing from \$36,889 to \$43,921. Average Own unincorporated business (OUB) income also increased, from \$16,538 in 2003-04 to \$18,962 in 2007-08. However, average Investment income rose from 2003-04 to 2006-07, then fell from \$8,139 in 2006-07 to \$7,781 in 2007-08. During this period the number of taxpayers reporting investment income increased by 15%.

## REGIONAL VARIATIONS IN AVERAGE INCOME, 2007-08

Table 3 presents average income data for 2007-08 for all sources of income, by State and Territory. The Australian Capital Territory recorded the highest average total income of all States and Territories (\$52,330), followed by Western Australia (\$47,488) and New South Wales (\$46,480). In general, capital city Statistical Divisions recorded substantially higher average total incomes than regions outside of capital cities.

Average Wage and salary incomes were highest in the Australian Capital Territory, New South Wales and Western Australia, and like average total income there were marked variations between capital cities and regions outside capital cities. Average income from Own unincorporated business was highest in Western Australia (\$24,060), Australian Capital Territory (\$22,542) and South Australia (\$19,331), with capital city Statistical Divisions recording considerably higher average incomes from this source. Victoria recorded the highest average Investment income in 2007-08, followed by Western Australia and New South Wales. In all cases except Queensland, average income from Investments was higher in capital city regions compared with regions outside of capital cities.

**Table 3. AVERAGE INCOME, By source - State and Territory, 2007-08**

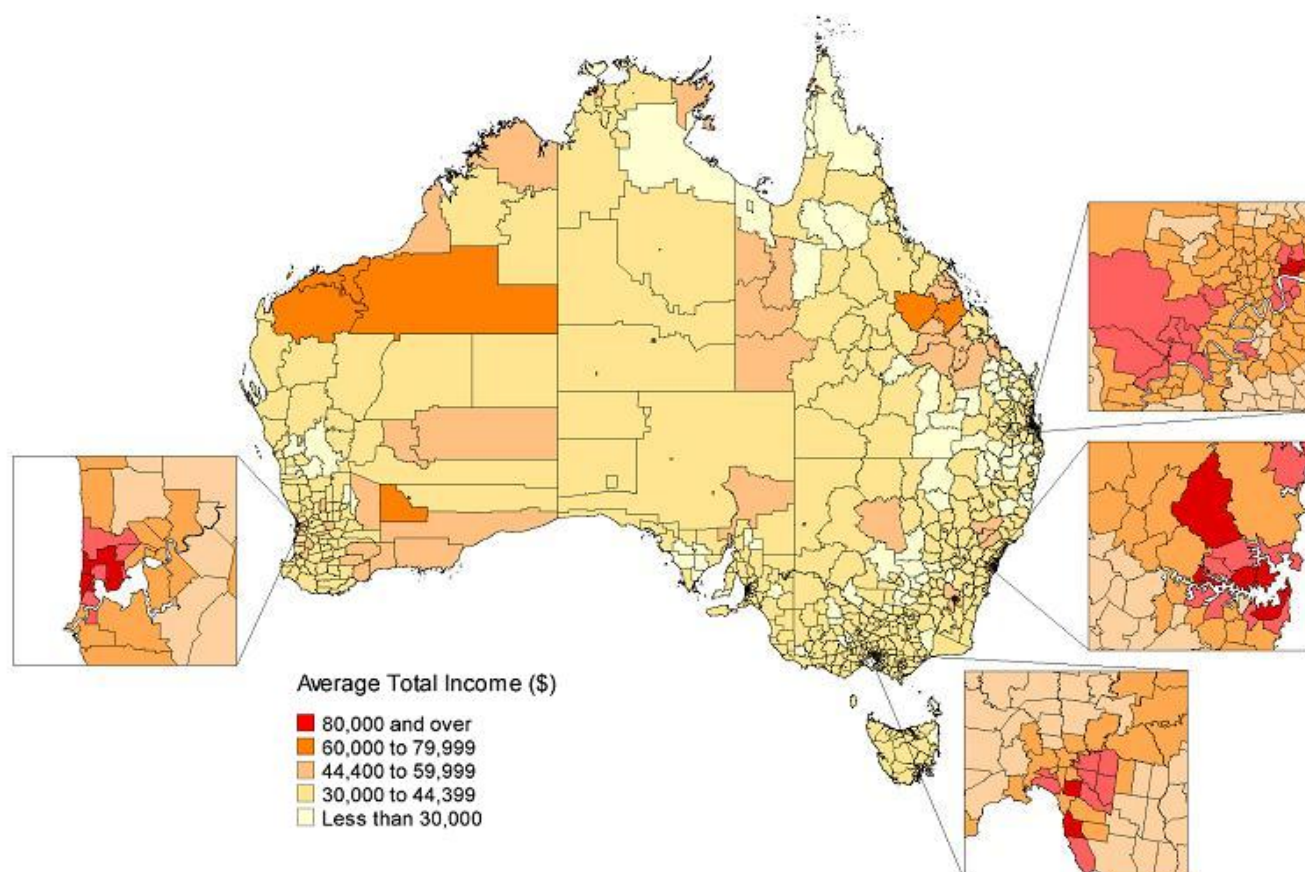
SLA Name	Wages & salaries	Own unincorporated business	Investment	Superannuation & annuities	Other Income (excl. Government pensions & allowances)	Total Income from all sources (excl. Government pensions & allowances)
	\$	\$	\$	\$	\$	\$
<b>New South Wales</b>	<b>46 513</b>	<b>18 594</b>	<b>7 807</b>	<b>23 347</b>	<b>5 522</b>	<b>46 480</b>
Sydney	50 136	22 909	8 686	23 933	6 745	51 121
Balance of NSW	39 114	12 848	6 125	22 632	3 063	37 674
<b>Victoria</b>	<b>42 782</b>	<b>18 355</b>	<b>8 584</b>	<b>21 794</b>	<b>3 822</b>	<b>43 704</b>

Melbourne	44 837	19 979	9 112	22 457	4 405	46 187
Balance of Vic	36 478	15 401	7 039	20 193	2 121	36 556
<b>Queensland</b>	<b>41 687</b>	<b>17 482</b>	<b>7 113</b>	<b>21 844</b>	<b>3 336</b>	<b>41 911</b>
Brisbane	43 893	21 869	6 997	22 083	3 492	44 768
Balance of QLD	39 586	14 865	7 222	21 623	3 194	39 348
<b>South Australia</b>	<b>39 492</b>	<b>19 331</b>	<b>7 459</b>	<b>24 048</b>	<b>3 010</b>	<b>40 488</b>
Adelaide	40 546	21 864	7 774	24 665	3 218	41 914
Balance of SA	36 302	15 419	6 582	21 826	2 389	36 451
<b>Western Australia</b>	<b>46 199</b>	<b>24 060</b>	<b>8 417</b>	<b>23 388</b>	<b>5 050</b>	<b>47 488</b>
Perth	46 804	26 201	8 742	23 733	5 540	48 588
Balance of WA	44 266	19 633	7 388	22 129	3 299	44 113
<b>Tasmania</b>	<b>36 874</b>	<b>16 675</b>	<b>7 045</b>	<b>20 172</b>	<b>2 860</b>	<b>37 718</b>
Hobart	38 563	19 581	7 610	21 141	2 912	40 022
Balance of Tas	35 541	14 916	6 596	19 020	2 813	35 928
<b>Northern Territory</b>	<b>45 216</b>	<b>19 065</b>	<b>3 120</b>	<b>26 041</b>	<b>2 567</b>	<b>45 848</b>
Darwin	47 298	21 713	3 394	26 885	2 746	48 088
Balance of NT	41 251	12 068	2 452	22 914	2 095	41 393
<b>Australian Capital Territory</b>	<b>51 387</b>	<b>22 542</b>	<b>4 816</b>	<b>30 737</b>	<b>2 639</b>	<b>52 330</b>
<b>Australia</b>	<b>43 921</b>	<b>18 962</b>	<b>7 781</b>	<b>23 191</b>	<b>4 265</b>	<b>44 402</b>

(a) excludes Government pensions and allowances

Map 1 illustrates average total income data for 2007-08 by Statistical Local Area (SLA). Over two-thirds of SLAs in Australia recorded average total incomes lower than the national average (\$44,402). The highest average total incomes were recorded in the SLAs surrounding Sydney Harbour (Mosman, Woollahra, Hunters Hill, North Sydney), in Peppermint Grove and Cottesloe in Perth, Ascot and Hamilton in Brisbane and Stonnington - Prahran and Bayside - Brighton in Melbourne. Outside the capital city Statistical Divisions, the SLAs with the highest average total incomes were located in the mining regions of Western Australia (Roebourne, Ashburton, East Pilbara, Port Hedland), in Queensland (Issac - Belyando and Broadsound) and in South Australia (Roxby Downs).

**Map 1. AVERAGE TOTAL INCOME, By Statistical Local Area - Australia, 2007-08**



## REGIONAL VARIATIONS IN INCOME 'MIX', 2007-08

While many areas share similar average total incomes, the income 'mix' (i.e. the proportion that each income source contributes to total income) may vary substantially between regions. This section of the article explores examples of such variations, using Victoria as a case study.

Table 4 presents the ten Statistical Local Areas (SLAs) in Victoria with the highest average total incomes in 2007-08. As shown in this table, there is variation in the proportions of income from each source, and particularly in the three largest sources; Wages and salaries, Investments, and Own unincorporated business. In the top four SLAs - incorporating the eastern and south-eastern Melbourne suburbs of Prahran, Toorak, Malvern, Kew and Brighton - Wages and salaries constitute less than 60% of total income (this is substantially lower than for both Victoria and Australia). Income from Investments make up between 26% and 31% of total income in these SLAs (compared to 12% for Victoria and 10.6% for Australia). In contrast, the SLA of Port Phillip - West (incorporating the suburbs of Port Melbourne, South Melbourne and Albert Park) has a comparatively lower proportion of total income made up of investment and business income with almost 75% from Wages and salaries. Similarly, the newly developed high density residential area of Southbank-Docklands has over 80% of total income derived from Wages and salaries and less than 2% from Own unincorporated business income.

**Table 4. PROPORTION OF TOTAL INCOME, By source - selected SLAs, Victoria, 2007-08**

SLA	Average Total Income	Wages & salaries	Own unincorporated business	Superannuation & annuities	Investment	Other
	\$	%	%	%	%	%
Stonnington (C) - Prahan	82 910	57.6	7.5	0.9	31.3	2.7
Bayside (C) - Brighton	80 948	57.4	8.3	1.5	30.2	2.5
Stonnington (C) - Malvern	77 316	58.8	9.5	1.3	28.3	2.1
Boroondara (C) - Kew	75 385	59.9	10.2	1.6	26.6	1.8
Port Phillip (C) - West	73 187	74.3	5.8	1.2	16.6	2.1
Boroondara (C) - Hawthorn	71 965	63.5	11.0	1.1	22.4	1.9
Boroondara (C) - Camberwell S.	67 306	66.2	8.6	1.5	21.5	2.2
Melbourne (C) - S'bank - D'lands	62 790	81.2	1.4	0.7	13.7	3.1
Boroondara (C) - Camberwell N.	62 523	63.1	8.3	1.7	25.3	1.7
Bayside (C) - South	61 006	70.6	6.1	1.8	20.0	1.5
<b>Victoria</b>	<b>43 704</b>	<b>79.3</b>	<b>6.4</b>	<b>1.4</b>	<b>12.0</b>	<b>0.9</b>
<b>Australia</b>	<b>44 402</b>	<b>80.1</b>	<b>6.7</b>	<b>1.6</b>	<b>10.6</b>	<b>1.0</b>

Variations in the proportion of income from Wages and salaries, as shown in the top ten high average income SLAs, can also be seen across all SLAs in Victoria (Map 2). Those SLAs where Wages and salaries constituted over 90% of total income in 2007-08 were located in three regions of the Melbourne Statistical Division:

- SLAs on the western and south-western fringes of Melbourne (including Wyndham, Melton). These SLAs incorporate newly developed suburbs experiencing high population growth. For example, the Estimated Resident Population (ERP) of Wyndham - South almost doubled between 30 June 2004 and 30 June 2008, from 11,160 to 22,261. The ERP of Melton - East rose by 50% over the same period, compared with a 6.7% increase for Victoria as a whole (Population by Age and Sex, Regions of Australia, 2007, 2008, cat. no.3235.0). Average total incomes for 2007-08 in these SLAs were generally below the national average of \$44,402, ranging from \$36,497 in Brimbank - Sunshine to \$44,414 in Wyndham - South. Income from Own unincorporated business generally constituted less than 4% of total income in these areas; with Investment income between 3% and 4%;
- SLAs to the north-west of Melbourne, including Whittlesea - South-West and Hume - Broadmeadows, where average total incomes ranged from \$35,155 to \$38,446 in 2007-08;
- SLAs to the south-east of the Melbourne CBD, including Casey - Cranbourne. This SLA recorded an average total income of \$38,180 in 2007-08. Investment income constituted less than 3% of total income; business income less than 5%.

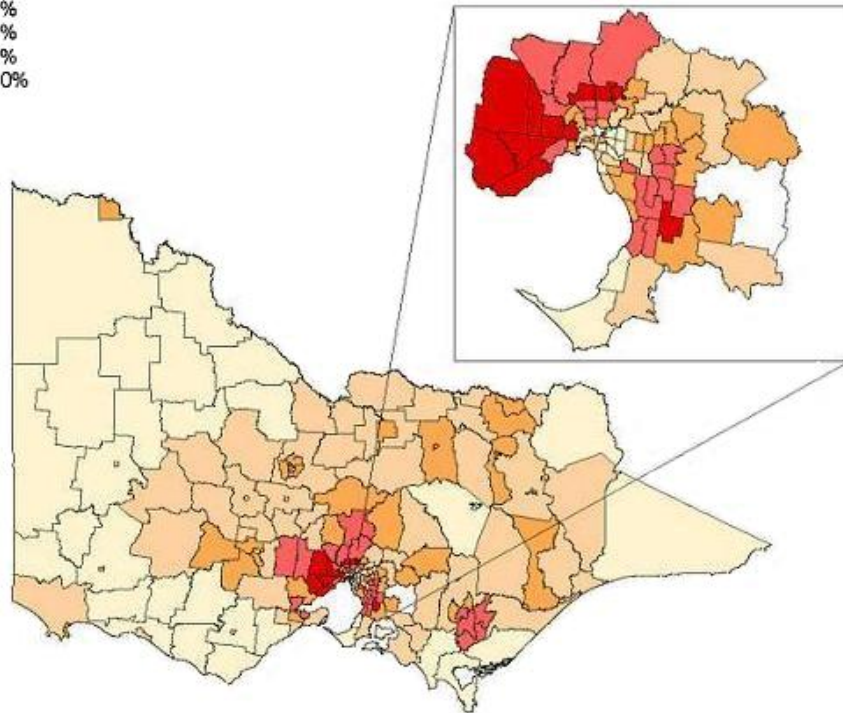
### Map 2. PROPORTION OF TOTAL INCOME DERIVED FROM WAGES AND SALARIES, By Statistical



## Local Area - Victoria, 2007-08

Wages and salaries as a percentage of Total Income

- Over 90%
- 85% to 89.9%
- 80% to 84.9%
- 70% to 79.9%
- Less than 70%



Conversely, those SLAs where Wage and salary income constitute a lower proportion of total income (less than 70%) can be broadly grouped into the following categories:

- inner city SLAs with high average total incomes and a high proportion of Investment income. These include the SLAs within the Cities of Stonnington and Boroondara (incorporating the suburbs of Prahran, Malvern, Kew, Hawthorn and Camberwell). Investment income constitutes between 22% and 31% of total income in these SLAs.
- rural areas in the State's north-west. These include the SLAs of West Wimmera, Yarriamblack - North and Loddon - North. Average total incomes in these SLAs ranged between \$32,361 and \$39,450 (compared to \$43,704 for Victoria as a whole). Income from Own unincorporated business constituted between 31% and 46% of total income in these areas (compared with 6.4% for the State).
- rural areas in the State's south-west, including the SLAs of Corangamite (North, South), Moyne (South, North-East, North-West) and Colac-Ottway (North, South). Average total incomes in these SLAs ranged between \$31,542 and \$40,906. Income from Own unincorporated business constituted between 16% and 41% of total income in these areas. Investment income contributed between 7% and 18% of total income in these SLAs (compared to 12% for Victoria as a whole).

[Back to top](#)

## About this Release

This release contains estimates of the sources and amount of personal income people received for the years 2003-04 to 2007-08, for Statistical Local Areas and other geographies (LGA, SSD, SD, State/Territory and Australia).

Data are provided on the number of individuals and the amount of income received from Wage and salary, Own unincorporated business, Investment, Superannuation and annuities, and Other income (excluding government pensions and allowances). An estimate of total income (excluding government pensions and allowances) is also provided.

The estimates have been compiled using aggregated individual income tax data from the Australian

Taxation Office (ATO). The compilation of these data are part of the ABS' program to increase the availability of regional statistics, particularly through the use of administrative data collected by other government agencies. The ABS wishes to acknowledge the invaluable support of the ATO in compiling these statistics.

# Explanatory Notes

## Explanatory Notes

### EXPLANATORY NOTES

#### INTRODUCTION

**1** This release contains regional estimates of the sources of personal income people received for each financial year from 2003-04 to 2007-08. Each of the tables provide a breakdown of total personal income by the following sources - Wage and salary, Own unincorporated business, Investment, Superannuation and annuities, Other income (excluding Government pensions and allowances) and the Total income from these sources.

**2** The previous issue of this release included estimates for the years 2003-04 to 2006-07. Estimates for the financial year 2007-08 have been added to the existing series to form a five year time series from 2003-04 to 2007-08.

**3** Data is presented at various levels of the Australian Standard Geographical Classification (ASGC) 2008, including Statistical Local Areas (SLAs) and Local Government Areas (LGAs), in each State and Territory of Australia.

**4** These data have been compiled from the Australian Taxation Office's (ATO) Individual Income Tax Return Database and are part of the Australian Bureau of Statistics' (ABS) program to increase the range of regional statistics available, particularly through the use of administrative information collected by other government agencies. The ABS wishes to acknowledge the ATO which provided data used in compiling the statistics presented in this publication.

#### BREAK IN SERIES

**5** Changes to taxation legislation that came into effect from 1 July 2007 have resulted in a fall in the number of persons who are required to report superannuation income on their tax returns. This is a break in the series for Superannuation. The impact of this change is discussed in more detail in the Scope and Coverage section (paragraph 22) below.

#### CHANGES IN THIS ISSUE

**6** For the first time in this series, the total number of discrete individuals receiving income from any of the income categories (Wages and salaries, Own unincorporated business, investment, Superannuation and annuities, Other income (excluding Government pensions and allowances)) has been presented. This also allows the derivation of an average Total income for the first time.

**7** Since the first issue in this series, there have been a number of other changes in the data items in each income category, and in the data released. These changes are outlined in the following paragraphs (8 to 12).

#### SUMMARY OF CHANGES TO THIS SERIES

**8** Estimates of Personal Income for the years 1995-96 to 2000-01 were first released in Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data, 1995-96 to 2000-01

(cat. no. 6524.0.55.001). These estimates included data for Government pensions and allowances from the then Australian Government Department of Family and Community Services (FaCS).

**9** Further information regarding the estimates for 1995-96 to 2000-01 can be found in Information Paper: Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data, 1995-96 to 2000-01 (cat. no. 6524.0).

**10** Estimates of Personal Income for the years 2001-02 to 2005-06 were released in Estimates of Personal Income for Small Areas, 2001-02 to 2005-06 (cat. no. 6524.0.55.002). These estimates excluded Government pensions and allowances in Other income and Total income, but included Attributed personal services income in Wages and salaries.

**11** Estimates of Personal Income for the years 2003-04 to 2006-07 have previously been released in Estimates of Personal Income for Small Areas, 2003-04 to 2006-07 (cat. no. 6524.0.55.002). These estimates included income from Lump sums and Eligible termination payments in Wages and salaries, and counts of individuals for each source of income include individuals with positive or negative net income from that source.

**12** The changes can be summarised as:

Release	Reference Periods	Government pensions and allowances	Wages and salaries inclusions	Number of individuals
6524.0 and 6524.0.55.00	1995-96 to 2000-01	Included	Gross wage and salary income	Individuals with positive net income
6524.0.55.002	2001-02 to 2005-06	Excluded	Allowances, commissions, tips etc. Gross wage and salary income	Individuals with positive net income
6524.0.55.002	2003-04 to 2006-07 & 2003-04 to 2007-08	Excluded	Allowances, commissions, tips etc. Attributed personal services income Gross wage and salary income	Individuals with positive and negative net income
			Allowances, commissions, tips etc. Attributed personal services income Lump sums Eligible termination payments	

[Back to top](#)

## CONFIDENTIALITY

**13** All individual income tax statistics are provided to the ABS by the ATO in aggregated form only, at the SLA level. Information about individual taxpayers has not been released to the ABS.

**14** Prior to being provided to the ABS, the statistics have also been subjected to a confidentiality process that randomly adjusts table cells with small values. This includes altering some small cells to zero. Caution should therefore be exercised in deducing that there are no people in an area with certain types of income and, in general, no reliance should be placed on table cells with small values. The confidentiality process prevents the risk of inadvertently releasing any information that may identify an individual while preserving the overall information value of the statistics.

## SCOPE AND COVERAGE

**15** The main functions and responsibilities of the ATO are to administer taxation legislation and to collect a wide variety of taxes. The ATO therefore collects data from its reporting population as part of its



processes to calculate income tax liability for those persons who are required to lodge an income tax return.

**16** The ATO database covers all individuals who submit an individual income tax return and includes persons with income from one or more of a range of sources, such as wages and salaries, own business, superannuation and annuities, investments and Government pensions, benefits or allowances. The scope of the ATO statistics presented in this release are data items relating to income standards the ABS uses for its income surveys. However the scope of the ATO statistics presented in this release exclude Government pensions, benefits or allowances.

### **Wage and salary income**

**17** Wages and salaries are the main forms of payments made to employees for their work or services. Wage and salary income, as reported on the income tax return, includes:

- Gross income, as shown on the 'PAYG payment summary - individual non-business';
- Allowances, which may include car, travel or transport allowances, allowances for tools, clothing or laundry and dirt, risk, meal or entertainment allowances;
- Commissions, bonuses, tips, gratuities, consultation fees, honoraria and other payments for services;
- Attributed personal services income;
- Eligible termination payments; and
- Lump sums.

### **Own unincorporated business income**

**18** Own unincorporated business income includes the following data items on the individual income tax return:

- Net income (or loss) from business;
- Distributions from partnerships and trusts for primary production activities;
- Distributions from partnerships for non-primary production activities; and
- Net personal services income.

**19** The data excludes distributions from trusts for non-primary production activities as this mainly includes income from a range of other activities (mainly investments). It also excludes the income of working directors/owners of incorporated businesses who are classified as employees and consequently their income is included under wage and salary income.

### **Investment income**

**20** Investment income includes:

- Interest from financial institutions;
- Net rent and dividends or distributions (including imputation credits) from an Australian company, corporate unit trust or public trading trust; and
- Distributions from trusts - non-primary production which mainly includes income from investments with cash management trusts, property trusts, money market trusts, mortgage trusts and unit trusts.

### **Superannuation and annuity income**

**21** Superannuation and annuity income includes superannuation and similar pensions and annuities paid by an Australian superannuation fund, a retirement saving account provider, a registered organisation or life assurance company and pensions paid by a fund established for the benefit of Commonwealth, State or Territory employees and their dependants. Also included in this category are bonuses from life insurance companies and friendly societies.

**22** A change to legislation relating to superannuation, taking effect from 1 July 2007, means that people aged 60 years and over who receive superannuation income in the form of a lump sum or income stream (such as a pension) from a taxed source, will now receive that income tax free. Therefore, if a person has

no other income, or their total income is below the tax-free threshold, or any tax payable is mitigated by a tax offset (such as Senior Australian Tax Offset), then this person will not be required to lodge a tax return. This change to legislation has resulted in a break in the income series for superannuation and annuities with fewer persons reporting income from this income source for the 2007-08 income year onwards.

### **Other income (excluding Government pensions and allowances)**

**23** Other income (excluding Government pensions and allowances) is made up of selected sources of other income reported on the individual income tax return that were not allocated to one of the above categories. In the main these include attributed foreign income and all other income as reported in question 24 (supplementary section) of the 2007-08 income tax return.

**24** Government pensions, benefits or allowances are excluded from the data and are therefore not included in this source of income category. Estimates from the ABS Survey of Income and Housing (SIH) of the amount of income Australians received from Government pensions and allowances was \$56.3 billion in 2003-04, \$61.1 billion in 2005-06 and \$65.9 billion in 2007-08. This accounted for 12.0% of the total income estimate in SIH in 2003-04, 11.1% in 2005-06 and 9.5% in 2007-08.

### **Total Income (excluding Government pensions and allowances)**

**25** Total Income is the sum of all income derived from Wages and salaries, Own unincorporated business, Superannuation and annuities, Investments and Other income (excluding Government pensions, benefits or allowances), (defined in paragraphs 17 to 21 above).

### **Counts of individuals**

**26** Individuals may have income from a number of sources. Net income from a specific source may be positive or negative. For example, an individual may have positive net income from Wages and salaries but negative net income from Investment. The number of individuals for each income source includes all persons with either positive or negative net income from that source.

**27** The total number of discrete persons in receipt of income from at least one of the income sources, is presented for the first time for the income year 2007-08. This total cannot be calculated as the sum of the individuals in each income category, as individuals may have more than one source of income in a given year. For example, an individual could derive income from Wages and salaries, Investment and Own unincorporated business and therefore contribute to the person count in each of these income sources.

[Back to top](#)

## **DATA CONSIDERATIONS**

**28** There are several data considerations that users should be aware of when analysing the data. Overall, these are not viewed as being so severe that they would lead to the production of misleading information. Readers are cautioned to be aware of these considerations and take them into account when analysing the results.

**29** For the purposes of providing statistical measures for the entire population, the ATO database has some limitations in its coverage. Persons who receive less than the taxable income threshold are not necessarily required to lodge a tax return. This can include persons who derive their income from government pensions and allowances. Consequently, the coverage of low income earners, including people receiving government pensions and allowances is not complete in ATO records. In addition, a number of Commonwealth of Australia Government pension, benefit and allowance payments are exempt from income tax and are therefore not required to be included in tax returns.

**30** Generally, the ATO considers someone to be an Australian resident for tax purposes if they have either always lived in Australia or have come to Australia to live permanently, have been in Australia for more than half of the financial year (unless their usual home is overseas and they don't intend to live in Australia), have been in Australia continuously for six months or more and for most of that time have been in the one job and living in the same place, or are an overseas student enrolled in a course of study for more than six months duration.

## Processing of tax returns

**31** The data presented in this publication were compiled before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO are from returns processed up to 31 October, 16 months after the end of the financial year. Any returns lodged after this date are not included. Therefore, for 2007-08, returns processed after 31 October 2009 are not included. This also applies for each of the previous three years of data presented in this release, so for 2006-07 data for example, returns processed after 31 October 2008 are not included.

**32** Annual revised data is published by the ATO in Taxation Statistics, Personal Tax, Table 7 for selected income items. Although this data is different to the data contained in this release, it can be used to give an indication of the likely change in the number of taxpayers and total income or loss over time as more tax returns are lodged. As an example, Table 1 below shows that for the 2003-04 income year, an additional 3.1% of taxpayers lodged their income tax returns in the twelve months after the initial processing cut off of 31 October 2005. By the 31 October 2009 cut off, 11.6 million tax returns had been processed for the 2003-04 financial year, an increase of 5.9% from the original 2003-04 data. An initial increase of around 3% in the next year was also observed for 2004-05 and 2005-06 data, and a 4.5% initial increase for 2006-07 data.

**Table 1. COMPARISON OF ATO ORIGINAL AND REVISED DATA - Number of taxpayers**

Returns lodged as at:	Income Year									
	2003-04		2004-05		2005-06		2006-07		2007-08	
	no.	% Change from 31 October 2005	no.	% change from 31 October 2006	no.	% change from 31 October 2007	no.	% change from 31 October 2008	no.	
31 Oct 2005	<b>10 978 900</b>									
31 Oct 2006	11 319 380	3.1	<b>11 235 995</b>							
31 Oct 2007	11 467 335	4.4	11 615 485	3.4	<b>11 510 960</b>					
31 Oct 2008	11 548 165	5.2	11 759 990	4.7	11 891 115	3.3	<b>11 799 230</b>			
31 Oct 2009	11 622 220	5.9	11 881 460	5.7	12 107 865	5.2	12 328 685	4.5	<b>12 640 765</b>	

**33** Table 2 shows an overall increase in total income as more tax returns are lodged after the initial cut off date. For 2003-04 data, an additional 3.1% of income was reported twelve months after the initial 16 month cut off of 31 October 2005. This increased to \$435.4 billion by the 31 October 2009 cut off, a total increase of 5.1% since the original published income estimate.

**Table 2. COMPARISON OF ATO ORIGINAL AND REVISED DATA - Total income or loss**

Returns lodged as at:	Income Year									
	2003-04		2004-05		2005-06		2006-07		2007-08	
	\$b.	% Change from 31 October 2005	\$b	% change from 31 October 2006	\$b	% change from 31 October 2007	\$b	% change from 31 October 2008	\$b	
31 Oct 2005	<b>414.1</b>									
31 Oct 2006	426.8	3.1	<b>447.4</b>							
31 Oct 2007	431.2	4.1	461.6	3.2	<b>483.1</b>					
31 Oct 2008	433.4	4.6	466.2	4.2	498.7	3.2	<b>533.9</b>			
31 Oct 2009	435.4	5.1	469.9	5.0	506.6	4.9	556.8	4.3	<b>583.4</b>	

**34** Due to the later lodgement dates for a small portion of tax returns (as shown above) the data provided in this release slightly under-estimates the total taxable income for a given financial year.

**35** The ATO has noted in Chapter 2 of Taxation Statistics 2007-08 that '*Lodgement of individuals' income*

*tax returns grew by 7.1% for the 2007-08 income year. This increase reflects, in part, individual lodgements brought forward to access the government's tax bonus payment'.*

[Back to top](#)

## **Changes in taxation policy**

**36** The ATO provides information annually in Taxation Statistics on their website about changes that may affect taxation statistics. Changes relating to personal income tax are in each edition of Taxation Statistics.

**37** For the income year 2007-08, a number of changes were noted in Chapter 2 of Taxation Statistics, including:

- Personal income tax cuts;
- The increase in the low income tax offset from \$600 in 2006-07 to \$750 in 2007-08;
- The change in access to the entrepreneur tax offset;
- The removal of the undeducted purchase price of an Australian pension or annuity from deduction items - it is now being accounted for and included in the tax-free component of the Australian annuities and superannuation income streams;
- The removal of age-based limits for claiming a deduction for super contributions;
- The change to super contribution limits where eligible individuals may now claim a full deduction for personal super contributions; and
- The change to super taxation where most people aged 60 and over who receive super benefits from a taxed source, the payment of a benefit as a lump sum or income stream (such as a pension) is now tax free

**38** For the income year 2006-07, the following changes were noted in Chapter 2 of Taxation Statistics:

- Personal income tax cuts;
- The increase in the low income tax offset from \$235 in 2005-06 to \$600 in 2006-07;
- The abolition of the part-year tax-free threshold for individuals who ceased full-time education for the first time;
- Changes to the tax treatment of foreign income and some capital gains for temporary residents;
- An increase in the amount you can claim for contributions to registered political parties, independent candidates and members from \$100 to \$1,500; and
- The entitlement to claim a tax offset if you have to pay the Medicare levy surcharge as a result of you or your spouse receiving a lump sum payment in arrears.

**39** For the income year 2005-06, the following changes were noted in Chapter 2 of Taxation Statistics:

- Personal income tax cuts;
- The introduction of new measures such as the 30% child care tax rebate, the 25% entrepreneurs' tax offset, transitional incentives to contribute to superannuation; and
- Transition to retirement rules - people aged over 55 can now access superannuation benefits without having to retire or leave their job.

**40** For the income year 2004-05, the following changes were noted in Chapter 2 of Taxation Statistics:

- Personal income tax cuts; and
- Introduction of the mature age worker tax offset - workers aged 55 years and over may be entitled to the offset, based on the amount of income they received from working.

**41** For the income year 2003-04, the following change was noted in Chapter 3 of Taxation Statistics:

- The Super Co-contribution, which replaced the superannuation tax offset for personal superannuation contributions.

## **COMPARISON WITH OTHER ABS INCOME DATA**

**42** The ABS Survey of Income and Housing (SIH) collects information on sources of income, amounts received and the characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. The survey was conducted every year from 1994-95 to 1997-98, and then in 1999-2000, 2000-01 and 2002-03. From 2003-04, the survey is being conducted every two years. For further information about the concepts, definitions, methodology and estimation procedures used in the SIH, refer to Survey of Income and Housing, User Guide, 2007-08 (cat. no. 6553.0).

**43** Data collected from SIH can be compared to ATO data published in this release for the years 2003-04, 2005-06 and 2007-08. Comparison of these three series can provide a means of assessing trends, establishing whether counts are of an expected magnitude and whether the distribution of income across the various sources is similar.

**44** SIH produces estimates of current income as well as estimates of annual income in respect to the previous financial year. Current income refers to income being received at the time the data were collected from respondents. The data used in the following comparison are based on current income estimates as these are thought to provide a better picture of income earners, are more up to date and are generally reported more accurately than previous financial year estimates.

**45** Differences exist between the three years of SIH data which should be taken into consideration, most significantly that the 2005-06 and 2007-08 surveys were run as stand alone surveys, whereas the 2003-04 SIH was integrated with the Household Expenditure Survey (HES). This may have had an impact on response.

**46** Benchmarks used for the 2007-08 SIH were based on the 2006 census, whereas benchmarks for the 2003-04 and 2005-06 SIH were based on the 2001 census. Employment income for 2007-08 now includes all payments received by individuals as a result of their current or former involvement in paid employment. In addition to the regular and recurring cash receipts previously included, the new income measures also include non-cash benefits, bonuses, termination payments and payments for irregular overtime.

**47** Table 3 presents comparable income data items from ATO data contained in this release and SIH data for 2003-04, 2005-06 and 2007-08.

**Table 3. COMPARISON OF ATO (a) AND SIH (b) INCOME DATA**

	2003-04 \$b	2005-06 \$b	2007-08 \$b
<b>Wage and salary</b>			
ATO	316.9	364.5	442.4
SIH (c)	341.7	402.1	513.1
<b>Own unincorporated business</b>			
ATO	34.7	44.0	58.6
SIH	21.6	29.3	43.4
<b>Superannuation and annuity</b>			
ATO (d)	11.0	14.5	8.9
SIH	13.2	14.3	20.6

a) ATO data includes data that could not be allocated to a state or territory

b) SIH data is current estimates rather than previous financial year

c) SIH data includes non cash benefits in wage and salary income

d) Change to ATO superannuation income for 2007-08

**48** The differences observed between the two sets of income data are likely to be as a result of different definitions, methodologies and reference periods. For example, the inclusion of imputation credits and distributions from trusts - non-primary production may contribute to the higher estimates observed in the ATO investment data.

**49** The higher SIH wage and salary estimate is in part due to the inclusion of non-cash benefits (including salary sacrificed income) in this income source. Non-cash wage and salary income is not reported on the personal income tax form and is therefore excluded from wage and salary income data provided by the

ATO.

**50** The SIH Wages and salaries estimate for 2007-08 also includes, for the first time, irregular overtime and bonuses as well as termination payments.

**51** With the changes to reporting of superannuation income (see paragraph 22 above) the SIH estimate of superannuation is likely to provide a more accurate indication of the level of income derived from superannuation and annuities from the 2007-08 income year onwards.

[Back to top](#)

## STATISTICAL GEOGRAPHY

**52** The Australian Standard Geographic Classification (ASGC) is used by the ABS for the collection and dissemination of geographically classified statistics. It is an essential reference for understanding and interpreting the geographic context of statistics published, not only by the ABS but also by other organisations, and its use enables comparability across datasets.

**53** ATO data based on postcodes has been converted to data for Local Government Areas (LGA) and Statistical Local Areas (SLA) as defined by the Australian Standard Geographical Classification (ASGC). Boundaries of these regions can change over time and the ABS revises and releases the ASGC annually.

**54** Data in this publication for all years are presented on boundaries in Australian Standard Geographical Classification (ASGC), 2008 (cat. no. 1216.0).

### Geographic correspondences

**55** The ABS uses geographic correspondences to enable the conversion of data from one type of geographic region to another. These geographic correspondences are generally used to convert data for 'non-standard areas' to data for standard areas used by the ABS. Geographic correspondences (or conversions) are expressed as conversion factors based on population.

**56** The geographic identifier on the ATO database is the postcode of the individuals' current home address at the time of completing the tax return. Consequently, postcode to SLA conversion factors have been used by the ATO to transform aggregated postcode data to estimates for Statistical Local Areas. The correspondences are based on the Estimated Resident Population. For further information see the detailed main structure of the Australian Standard Geographical Classification (ASGC), 2008 (cat. no. 1216.0).

**57** The correspondence process:

- Enables the data to be more easily compared with standard ABS output;
- Enables the data to be output for other standard ABS geographic areas such as Statistical Divisions (SD), Statistical Subdivisions (SSD) and Local Government Areas; and
- Provides flexibility so that data can be provided for the different regions of interest being studied by users of regional data (which are usually groupings of SLAs and/or LGAs).

**58** When analysing data transformed by correspondences, the following limitations of this methodology need to be taken into account:

- In applying the correspondences it is assumed that the particular characteristics of any data item are uniformly distributed across a postcode area. Therefore, data transformed by correspondences may not truly reflect the distribution of the characteristics of the population. In some cases, where the same postcode is split across two or more SLAs and there are no other contributing postcodes, distinct numerical estimates will be derived but rates or averages will be identical for each SLA (as these will be equivalent to the original rate or average of the contributing postcode);
- The conversion factors are based on total population only but have been applied across all ATO data items, i.e. the number of wage and salary earners, wage and salary income, total income and sex, age and occupation groups;
- Some official postcodes (such as PO boxes, etc.) do not correspond to residential areas but may still have been reported under the current home address field on the income tax return. Data for these and other 'invalid' postcodes, such as those due to incorrect reporting or processing errors, have been included in an 'unknown' category for each State and Territory and for Australia where



the state or territory was not known; and

- Data transformed by correspondences have been rounded so discrepancies may occur between sums of the component items and totals.

**59** While care was taken in producing the correspondences, the ABS will not guarantee the accuracy of data transformed by correspondences.

## Geographic regions

**60** The statistics in this electronic release and accompanying data cubes are presented according to the Australian Standard Geographical Classification (ASGC), 2008. Under this classification, statistical areas are defined as follows:

- **Local Government Areas (LGAs)**: These areas are the spatial units which represent the geographical areas of incorporated local government councils. The various types of LGAs are cities (C), NSW local government areas (A), boroughs (B), rural cities (RC), towns (T), shires (S), district councils (DC), municipalities (M), SA regional councils (RegC), Qld regional councils (R) and SA Aboriginal councils (AC);
- **Statistical Local Areas (SLAs)**: These geographical areas are in most cases identical with, or have been formed from a division of, whole LGAs. In other cases, they represent unincorporated areas. In aggregate, SLAs cover the whole of a State or Territory without gaps or overlaps. In some cases legal LGAs overlap Statistical Subdivision boundaries and therefore comprise two or three SLAs;
- **Statistical Subdivisions (SSDs)**: These are of intermediate size, between SLAs and SDs. In aggregate, they cover the whole of Australia without gaps or overlaps. They are defined as socially and economically homogeneous regions characterised by identifiable links between the inhabitants. In the non-urban areas an SSD is characterised by identifiable links between the economic units within the region, under the unifying influence of one or more major towns or cities;
- **Statistical Divisions (SDs)**: These consist of one or more SSDs. The divisions are designed to be relatively homogeneous regions characterised by identifiable social and economic units within the region, under the unifying influence of one or more major towns or cities.

**61** Further information concerning statistical areas, including information about recent changes to boundaries, is contained in Australian Standard Geographical Classification (ASGC), 2008 (cat. no. 1216.0). The ASGC also includes a complete series of maps. SLA maps for all states and territories can be found in Chapter 16 of the publication, or can be accessed individually from the Downloads tab.

## AVERAGE ANNUAL GROWTH RATE

**62** The average annual growth rate is calculated as a percentage using the formula below, where Y0 is the average income at the start of the period, Yn is the average income at the end of the period, and n is the length of the period (in years) between Y0 and Yn.

$$[(Y_n/Y_0)^{1/n} - 1] \times 100$$

## FURTHER INFORMATION

**63** For further information about these and other statistics, contact the National Information and Referral Service on 1300 135 070.

[Back to top](#)

## Abbreviations

### ABBREVIATIONS

A	Area
ABS	Australian Bureau of Statistics
AC	Aboriginal council
ACT	Australian Capital Territory

ASGC	Australian Standard Geographical Classification
ATO	Australian Taxation Office
B	Borough
cat. no.	Catalogue number
C	City
DC	District Council
FaCS	Australian Government Department of Family and Community Services
HES	Household Expenditure Survey
LGA	local government area
M	Municipality
NSW	New South Wales
NT	Northern Territory
PAYG	pay-as-you-go tax
Qld	Queensland
R	Regional Council
RC	Rural City
RegC	Regional Council
S	Shire
S/T	state or territory
SA	South Australia
SD	statistical division
SIH	Survey of Income and Housing
SLA	statistical local area
SSD	statistical subdivision
T	Town
Tas.	Tasmania
Vic.	Victoria
WA	Western Australia

## Quality Declaration - Summary

### INSTITUTIONAL ENVIRONMENT

These estimates of personal income published by the ABS are sourced from the Australian Taxation Office (ATO). The ATO collects personal income tax information from the lodgement of personal income tax returns as part of their role to 'manage and shape tax, excise and superannuation systems that fund services for Australians' [Source: <http://www.ato.gov.au> 'About Us'] .

The ATO compiles a range of data from this collection for release on the ATO website. An extract of personal income tax is provided to the ABS on an annual basis under a Memorandum of Understanding (MOU) between the ABS and the ATO.

All individual income tax statistics are provided to the ABS by the ATO in aggregated form only, at the Statistical Local Area (SLA) level. Information about individual taxpayers has not been released to the ABS.

For information on the institutional environment of the ABS, including the legislative obligations of the ABS, financing and governance arrangements, and mechanisms for scrutiny of ABS operations, please see ABS Institutional Environment.

### RELEVANCE

Personal income data are produced at regional (small area) level to provide valuable information about regional economies and the income of individuals resident in regions. This annual regional level income data is not available from existing ABS censuses and surveys.

The scope of the personal income tax data includes individuals who submit an individual income tax return to the Australian Tax Office.

Data items for individuals include number of 'taxable' and 'non-taxable individuals', and 'taxable income'.

The main statistical releases from ATO personal income tax data are:

1. Counts of taxable and non-taxable individuals, and amount of taxable income;
2. Number of persons and amount of income from Wages and salaries, Own unincorporated business, Investment, Superannuation and annuities, Other income (excluding Government pensions and allowances), Total income (excluding Government pensions and allowances);
3. Number of Wages and salary earners by various cross-classifications (age, sex, occupation and income range).

Data for income categories in 2. and 3. above are aggregated from items in the individual income tax return, and are selected to conform as closely as possible to ABS Income Standards.

These statistical releases are presented at the following levels of geography as in the Australian Standard Geographical Classification (ASGC): Statistical Local Area; Statistical Subdivision; Statistical Division; Local Government Area; state/territory, Australia.

Occupation data for Wage and salary earners is presented using the Australian and New Zealand Standard Classification of Occupations (ANZSCO).

## **TIMELINESS**

Individuals may lodge income tax returns in respect of each financial year (1 July to 30 June). Personal income tax data is provided to the ABS approximately 22 months after the income year. Data are taken from an annual extraction from the ATO database as at 31 October each year (16 months after the income year). For example, data for the 2007-08 financial year was extracted as at 31 October 2009 and provided to the ABS in April 2010. Data are released annually by the ABS.

## **ACCURACY**

Personal income tax data is derived from information contained in personal income tax returns lodged with the Australian Taxation Office. For the purposes of providing statistical measures for the entire population, the ATO database has some limitations in its coverage. Persons who receive less than the taxable income threshold are not necessarily required to lodge a tax return. This can include persons who derive their income from government pensions and allowances. Consequently, the coverage of low income earners, including people receiving government pensions and allowances is not complete in ATO records. In addition, a number of Commonwealth of Australia government pension, benefit and allowance payments are exempt from income tax and are therefore not required to be included in tax returns.

Data is provided by the ATO before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO are from returns processed up to 31 October, 16 months after the end of the financial year. It is estimated that approximately an additional 3% of taxpayers lodge their income tax returns in the twelve months after the initial processing cut off each year and approximately 5% of taxpayers lodge their income tax returns in the three years following the processing cut off. This means that data provided to the ABS slightly under-estimates the number of income earners and the total income earned.

Prior to being provided to the ABS, the statistics have also been subjected to a confidentiality process that randomly adjusts table cells with small values. This includes altering some small cells to zero. Caution should therefore be exercised in deducing that there are no people in an area with certain types of income and, in general, no reliance should be placed on table cells with small values.

## **COHERENCE**

Personal income tax statistics can be impacted by changes to Tax legislation. The ATO outlines any such changes in their annual release of 'Taxation Statistics' on the ATO website.

Data for income categories described above (see Relevance) are aggregated from items in the individual income tax return, and are selected to conform as closely as possible to ABS Income Standards. There

have been several changes, reflected in data released for 2001-02 to 2005-06, and for 2003-04 to 2006-07:

Release	Reference Periods	Changes to Wages and salaries
6524.0 and 6524.0.55.001 5673.0 and 5673.0.55.001	1995-96 to 2000-01	Gross wage and salary income Allowances, commissions, tips etc.
6524.0.55.002 5676.0.55.003	2001-02 to 2005-06	Gross wage and salary income Allowances, commissions, tips etc. Attributed personal services income
6524.0.55.002 5673.0.55.003	2003-04 to 2006-07	Gross wage and salary income Allowances, commissions, tips etc. Attributed personal services income Lump sums Eligible termination payments

Other ABS sources of income data are:

- the Survey of Income and Housing;
- the Survey of Average Weekly Earnings
- the Census of Population and Housing

The ABS Survey of Income and Housing (SIH) collects information on sources of income, amounts received and the characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. Data collected from SIH can be compared to ATO personal income tax data published in Estimates of Personal Income for Small Areas (cat no. 6524.0.55.002) and Wage and Salary Earner Statistics for Small Areas (cat no. 5673.0.55.003) at the Australia level. Small area estimates are not released from the SIH. Comparison of these series for Australia can provide a means of assessing trends, establishing whether counts are of an expected magnitude and whether the distribution of income across the various sources is similar. The ATO personal income tax data contained in this release is generally consistent in magnitude with the estimates derived from the ABS Survey of Income and Housing at the Australia level.

The Survey of Average Weekly Earnings (AWE) is a quarterly sample survey of employing businesses. It collects data on average weekly earnings for full-time adult employee jobs, average weekly total earnings for all employee jobs, and average weekly ordinary time earnings for full-time adult employee jobs. Small area estimates are not released from AWE. The ATO Average Wage and Salary income as presented in Wage and Salary Earner Statistics for Small Areas (cat no. 5673.0.55.003) can be compared at the Australia level with the 'average weekly total earnings for all employees jobs' from the survey of Average Weekly Earnings. These two series items are generally consistent in magnitude at the Australia level.

Income data is also available every five years in the Census of population and housing. The Census provides total income for households and individuals. Data are available for a range of small areas.

## INTERPRETABILITY

Taxable income is calculated on the personal income tax as total income or loss minus total deductions.

Personal income tax data releases all contain detailed Explanatory Notes that provide information on scope and coverage, confidentiality, changes to the data over time, geographical presentation of the data, classifications and other technical aspects associated with these statistics.

## ACCESSIBILITY

All personal income tax data provided to the ABS from ATO, is released to the ABS website in:

- National Regional Profile (contains Taxation Statistics, income estimates by source and Wage and salary earners statistics in html web pages, excel spreadsheets, and SuperTABLE datacubes)
- Estimates of Personal Income for Small Areas (cat no: 6524.0.55.002) - contains a summary main features, excel spreadsheets and SuperTABLE data cubes.
- Wage and Salary Earner Statistics for Small Areas (5673.0.55.003) - contains a summary main features, excel spreadsheets and SuperTABLE data cubes.

## **Table 5 (I-Note) - Data Cubes**

Please note that there is a break in the series for Superannuation and annuities between 2006-07 and 2007-08. Please refer to the product explanatory notes for further information.

## **Table 6 (I-Note) - Data Cubes**

Please note that there is a break in the series for Superannuation and annuities between 2006-07 and 2007-08. Please refer to the product explanatory notes for further information.

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